

Amendment No. 1 to SB1427

McNally  
Signature of Sponsor

**AMEND Senate Bill No. 1427**

**House Bill No. 1367\***

by deleting all language after the enacting clause and by substituting instead the following:

SECTION 1. Tennessee Code Annotated, Section 67-2-102, is amended by deleting the section in its entirety and by substituting instead the following:

(a)

(1) Except as otherwise provided in subdivision (a)(2) and in this chapter, an income tax in the amount of six percent (6%) per annum shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust and corporation in this state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this section.

(2)

(A) Beginning in fiscal year 2014-2015 and subsequent fiscal years, on June 15 of any fiscal year in which state revenue growth meets or exceeds population growth-plus-inflation growth, the commissioner of finance and administration, in consultation with the commissioner of revenue, shall certify the amount of the state tax revenue collected for the then current fiscal year and, notify the governor, speaker of the senate, speaker of the house of representatives, state treasurer and the commissioner of revenue of such amount, including the amount of any surplus state tax revenue collected.

Amendment No. 1 to SB1427

McNally  
Signature of Sponsor

AMEND Senate Bill No. 1427

House Bill No. 1367\*

(B) In any fiscal year in which the commissioner of finance and administration certifies that state revenue growth meets or exceeds population growth-plus-inflation growth under subdivision (a)(2)(A), the rate of tax upon income from stocks and bonds shall be adjusted by reducing the rate by one percent (1%) on January 1 for the following calendar year. The rate of taxation resulting from such one-percent reduction shall be the applicable rate for all subsequent calendar years and shall remain in effect until such time in subsequent calendar years when the growth formula specified in this subdivision (a)(2)(B) warrants a further reduction; provided, that at such time, the rate shall be adjusted by reducing the rate by a one-percent increment; except, that when the rate is reduced to three percent (3%) and in the event state revenue growth meets or exceeds population growth-plus-inflation growth after such reduced rate becomes effective, then the subsequent reduction to the rate of three percent (3%) shall be three-fourths of one percent (0.75%).

(C) When the rate equals two and one-quarter percent (2.25%) in accordance with subdivision (a)(2)(B), reductions to the rate under this subdivision (a)(2) shall cease and the rate of two and one-quarter percent (2.25%) shall remain in effect until the rate is amended or otherwise altered by the general assembly.

(D) In lieu of the tax levied by subdivision (a)(1), for any taxpayer's tax year that begins during a calendar year in which a reduction to the rate is made pursuant to subdivision (a)(2)(B), or that begins during a calendar year in which a reduction is effective, an income tax at the reduced rate per annum published by the commissioner of revenue pursuant to subdivision (a)(2)(E) shall be levied and collected on incomes derived by way of dividends from stocks or by way of interest on bonds of each person, partnership, association, trust and corporation in the state who received, or to whom accrued, or to whom was credited during any year income from the sources enumerated in this section, except as otherwise provided in this chapter; provided, that no reductions to the rate shall be made in any year in which state revenue growth does not meet or exceed population growth-plus-inflation growth.

(E) By September 1 immediately following the certification made pursuant to subdivision (a)(2)(A), the commissioner of revenue shall publish the rate of taxation at which the income derived from stocks and dividends shall be taxed beginning on January 1 of the next calendar year. Each reduced rate shall remain in effect until the rate is again reduced pursuant to subdivision (a)(2)(B) or until such time as provided in subdivision (a)(2)(C).

(b) As used in this section:

(1) "Rate of inflation" means the percentage change in inflation, as measured by the United States bureau of labor statistics consumer price index for all urban consumers;

(2) "State revenue growth meets or exceeds population growth-plus-inflation growth" means that, for any fiscal year, the percentage increase in

revenue derived from state taxes and collected by the state is equal to or more than the sum of the state's population growth rate and the rate of inflation; and

(3) "State's population growth rate" means the percentage increase in the population of this state from the previous fiscal year, as measured by the United States census bureau population estimates.

(c) The commissioner of revenue is authorized to promulgate rules and regulations as the department may deem necessary to effectuate the purposes of this section. All such rules and regulations shall be promulgated in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5. Notwithstanding § 4-5-208 to the contrary, the department of revenue is authorized to promulgate emergency rules to implement this section.

SECTION 2. Tennessee Code Annotated, Section 67-2-119, is amended by deleting the section in its entirety and by substituting instead the following:

(a)

(1) The tax collected by the state under this chapter shall be levied at the tax rate provided in § 67-2-102(a)(1) or (a)(2), as applicable, according to the following schedule, and the tax revenue derived from the applicable percentage of the rate imposed shall be distributed to the general fund or local governments, or both, as follows:

<u>For tax years that begin</u>	<u>Tax Rate</u>	<u>Rate Distributed to General Fund</u>	<u>Rate Distributed to Local Governments</u>
Prior to a calendar year of First Qualifying Reduction	6%	3.75%	2.25%
During a calendar year of First Qualifying Reduction	5%	2.75%	2.25%
During a calendar year of Second Qualifying Reduction	4%	1.75%	2.25%
During a calendar year of Third Qualifying Reduction	3%	0.75%	2.25%
During a calendar year of Fourth Qualifying Reduction & subsequent calendar years	2.25%	0.00%	2.25%

SA1132  
015647

(2) Of the taxes collected by the state under this chapter upon income from stocks and bonds taxable at the rate provided in subdivision (a)(1), after any deduction for necessary expenses for administration of this chapter pursuant to § 67-2-117, the following shall be distributed among municipalities and counties in accordance with subdivision (a)(4):

<u>For tax years that begin</u>	<u>Local Distribution</u>
Prior to a calendar year of First Qualifying Reduction	37.5%
During a calendar year of First Qualifying Reduction	45.0%
During a calendar year of Second Qualifying Reduction	56.25%
During a calendar year of Third Qualifying Reduction	75.0%
During a calendar year of Fourth Qualifying Reduction & subsequent calendar years	100.0%

(3) After the distribution to municipalities and counties pursuant to subdivision (a)(2), any funds remaining shall be paid into the general fund of the state treasury.

(4)

(A) Where a taxpayer residing within the corporate limits of any municipality pays a tax imposed by the state at the rate provided in subdivision (a)(1), then the net tax collected from the taxpayer shall be returned to the municipality within which the taxpayer resides in the amount required to be distributed pursuant to subdivision (a)(2).

(B) Where a taxpayer residing in a county, but outside the corporate limits of any municipality, pays a tax imposed by the state at the rate provided in subdivision (a)(1), then the net tax collected from the

taxpayer shall be returned to the county within which the taxpayer resides in the amount required to be distributed pursuant to subdivision (a)(2).

(5) For tax years that begin on or after January 1 of any calendar year in which the fourth qualifying reduction occurs or is effective as set forth in subdivisions (a)(1) and (a)(2), after any deduction for necessary expenses for administration of this chapter pursuant to § 67-2-117, all revenue from the taxes collected by the state under this chapter upon income from stocks and bonds taxable at the applicable rate per annum provided in subdivision (a)(1) shall be distributed among municipalities and counties in accordance with subdivision (a)(4).

(b) In each instance, the payment by the state to municipalities and counties covering collections made under this section during any fiscal year shall be made on or before July 31 immediately following the close of that year.

SECTION 3. Tennessee Code Annotated, Section 67-2-103, is amended by deleting the section in its entirety and by substituting instead the following:

For tax years that begin prior to January 1 of any calendar year in which the fourth qualifying reduction occurs or is effective as set forth in § 67-2-119(a)(1) – (2), the tax provided for in this chapter shall be for state purposes only, shall be distributed in accordance with § 67-2-119, and no county or municipality shall have power to levy the tax. For tax years that begin on or after January 1 of any calendar year in which the fourth qualifying reduction occurs or is effective as set forth in § 67-2-119(a)(1) – (2) and for subsequent tax years, the tax provided for in this chapter, less expenses necessary to calculate, collect, and distribute such revenue derived from the tax, shall be administered and levied by the state and distributed for county and municipal purposes only.

SECTION 4. This act shall take effect upon becoming a law, the public welfare requiring it.